

FISCAL IMPACT STATEMENT ON BILL NO. **S.9, as Amended**

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TO:	The Honorable Daniel B. "Danny" Verdin, III, Chairman, Senate Agriculture and Natural Resources Committee		
FROM:	Office of State Budget, Budget and Control Board		
ANALYSTS:	K. Earle Powell		
DATE:	March 4, 2009	SBD:	2009245

AUTHOR:	Senator McConnell	PRIMARY CODE CITE:	48-52-900
SUBJECT:	Energy Efficiency		

ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:

See Below

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:

See Below

BILL SUMMARY:

This Bill would amend the Code of Laws of South Carolina, 1976, to establish energy efficiency and renewable energy goals for state government. The Bill also directs state agencies to procure energy efficiency products.

EXPLANATION OF IMPACT:

State Budget and Control Board – Material Management Office (MMO)

The Materials Management Office indicates that this bill requires that agencies enter into energy performance contracts (EPCs). Specifically, section 48-52-940 requires that each state agency be evaluated for its conservation measures in the manner provided in Section 48-52-670 which provides for agencies to enter energy performance contracts.

Generally, energy performance contracts involve up-front payment for major capital improvements with savings realized over time from lower energy costs. The periodic payments for the up-front costs are covered by the savings, eliminating the need for a large capital outlay in a single budget year. Such contracts can last for many years and involve significant capital improvements expenditures. While contracts vary, state agencies have entered into large EPCs ranging in duration from 8 to 15 years and ranging in value from roughly \$4.7 million to \$56.4 million. Some of these projects have been funded through the Master Lease Program of the State Treasurer's Office.

In the long term, such contracts should result in a net savings. However, if an agency decides to stop using an improved facility, the agency could be responsible for the unamortized cost of the capital improvement. In addition, should an agency breach such a contract, the costs could be considerable. In addition, if energy costs go down, anticipated savings would be eliminated.

State Budget and Control Board – Division of General Services

The Division of General Services, reports that the agency does not use energy from renewable energy resources. If General Services participated in the green energy program to produce or generate on-site renewable energy, the cost is estimated to total \$33,000 per year

LOCAL GOVERNMENT IMPACT:

None.

SPECIAL NOTES:

None.

Approved by:

A handwritten signature in black ink that reads "Harry Bell". The signature is written in a cursive style with a large, looped "H" and a distinct "Bell" at the end.

Harry Bell
Assistant Director, Office of State Budget